



AmericanPacific

BORATE & LITHIUM
LIMITED

ASX Announcement

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27 August 2019

**ABR SIGNS TERM SHEET FOR FORT CADY BORATE PROJECT FINANCE
WITH NEW YORK BASED MINING INVESTOR, AGREES TO ISSUE
US\$2M OF CONVERTIBLE NOTES**

HIGHLIGHTS

- **Amvest Capital Mining Opportunities, LLC, a dedicated metals and mining investment company based in New York, to subscribe for US\$2m of convertible notes**
- **Newly executed indicative term sheet for \$45m project financing to fund Phase One A of the Fort Cady Borate Project based on completed technical due diligence**
- **Project financing designed to limit dilution customarily associated with construction financing**
- **Amvest Capital Mining Opportunities, LLC is an affiliate of a SEC Registered Investment Advisor with over US\$1b of assets under management**

American Pacific Borate and Lithium (ASX:ABR) ("ABR" or the "Company") is pleased to announce it has agreed to issue US\$2m of convertible notes to Amvest Capital Mining Opportunities, LLC ("Amvest"). The issue of the convertible notes are subject to a number of conditions precedent, as summarised below.

In addition, Amvest completed detailed technical due diligence on Phase One A of the Fort Cady Borate Project (the "Project"). Upon completion of due diligence, the parties executed an indicative term sheet for \$45m to finance the Project, comprised of a US\$37m construction term loan and a US\$8m cost overrun facility. The term sheet is indicative only (save for certain customary conditions regarding confidentiality, expenses, exclusivity and indemnification), does not constitute a binding agreement to provide finance and are subject to the parties entering into definitive documentation regarding the transactions contemplated by the term sheet.

The term sheet grants exclusivity to Amvest to enter into the transactions described in the term sheet up to 15 November 2019. Under the term sheet, the Company also agrees to pay Amvest for its costs and expenses of conducting due diligence. The Company has already made a payment of US\$100,000 for such expenses. The company also indemnifies Amvest and its affiliates, representatives and advisers, for losses incurred in connection with with or relating to the transactions contemplated hereby or otherwise relating to the subject matter of the term sheet, subject to customary qualifications and limitations.

COMPANY DIRECTORS

Harold (Roy) Shipes – Non-Executive Chairman
Michael X. Schlumberger - Managing Director & CEO
Anthony Hall - Executive Director
Stephen Hunt - Non-Executive Director
John McKinney – Non-Executive Director



ISSUED CAPITAL

208.4 million shares
43.5 million options

REGISTERED OFFICE

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American Pacific Borate and Lithium, CEO and Managing Director, **Michael Schlumpberger**, commented:

"We are delighted to have signed a term sheet with a specialist mining New York-based investor for a facility to substantially debt fund the first phase of our Fort Cady Borate Project.

The convertible note and term sheet confirm our view that we have a very exciting project with exceptional financial metrics, which will produce two commodities with compelling market dynamics.

Importantly, our focus continues to be on completing our engineering to enable the commencement of construction in the current calendar year."

Key terms are summarised below.

Convertible Notes

First Investment:	Senior Secured Convertible Notes (the "Convertible Notes"), subject to the terms and conditions set out in a note deed entered into on 27 August 2019 between the Company and Amvest.
Term:	24 months
Principal Amount:	US\$2,000,000
Use of Proceeds:	FEED, early payments for long lead items for construction, working capital to finalize permits, and general working capital.
Conditions Precedent:	<p>The issue of the Convertible Notes are subject to the following conditions precedent being satisfied or waived:</p> <ol style="list-style-type: none"> 1 The Company confirming in writing that there are no Events of Default (as that term is defined below). 2 The Company providing satisfactory evidence that the Company has sufficient capacity under the ASX Listing Rules to issue the Convertible Notes and all Shares on conversion of the Convertible Notes without shareholder approval. 3 Written notification by the Company that it intends to draw down the Convertible Notes. 4 The Company provided a duly executed copy of the Note Deed, General Security Deed and other ancillary documents ("Finance Documents"), in registrable form together with all taxes payable (as applicable). 5 Approval from the Investor's investment committee to the Finance Documents and the transactions contemplated by them. 6 The Investor being satisfied with the results of all searches and enquiries regarding the Company and its property the subject of the General Security Deed. 7 All necessary forms and documents being properly executed and in registrable form to effect the release and discharge of any security interest (other than permitted security interests). 8 The Company having provided satisfactory evidence that the terms of the Note Deed are satisfactory to the ASX. 9 The Company having provided satisfactory evidence that all costs and expenses payable by the Company to the Investor in connection with the Finance Documents have been paid.



Interest:	12% on the Principal Amount then outstanding paid annually, in cash, in advance.
Conversion Price and No.:	<p>The Convertible Notes will be convertible into ordinary shares at the lesser of (a) A\$0.25 or (b) the higher of (i) A\$0.0927 and (ii) the 90% of the three (3) daily VWAPs, chosen by the Investor, during the twenty (20) Trading Days immediately prior to notice of Conversion ("Conversion Price").</p> <p>If, in any consecutive period of 10 trading days in which the VWAP on each trading day in that period is below the Floor Price, or the Company issues Shares at less than A\$0.0927, then the adjusted Conversion Price will be the price in A\$ equal to 90% of the average 10 day VWAP, provided, however that in such instance there will be a cap on the number of shares into which the Convertible Notes may convert of 30,000,000.</p>
Conversion:	The Investor has the right, at any time to convert any part of the Convertible Notes into shares at any time 90 days after Closing.
Repayment:	The Company will make monthly repayments to the Investor.
Repayment in Shares and No.:	If the Company elects to make a Repayment, in part or full, in shares the price will be calculated as, the lower of, the Conversion Price or 80% of the average of the lowest three daily value traded in the 20 trading days prior to election, in lieu of cash Repayment.
No Shorting:	Before and during the term of each Agreement, the Investor will not, and will cause its affiliates not to, engage in short sales of the Company's stock.



Construction Financing Terms

The key Construction Financing Terms described in the term sheet are summarised below. The terms are indicative only and are subject to the parties entering into a definitive agreement.

Second Investment:	Senior Secured Term Loan (the "Term Loan")
Term:	36 months
Conditions Precedent:	<p>The intention of the Investor to purchase the Term Loan will be subject to each of the following along with other customary conditions precedent:</p> <ul style="list-style-type: none">(i) Receipt of all substantive mining permits necessary to construct and operate Phase 1A;(ii) Binding offtakes or acceptable sales and marketing agreements for at least 50% of Phase One A production in place to support the economics of the Fort Cady project outlined in the enhanced Definitive Feasibility Study released on 31 January 2019;(iii) Review of customary project construction related documents to the reasonable satisfaction of the Investor. These include, but are not limited to, side deeds with the builder, evidence of bonding, supply contracts for the operational inputs required;(iv) Definitive legal agreements;(v) Board approval from the Boards of both the Investor and the Company; and(vi) No material adverse change, no disruption of, or adverse change in, loan syndication, financial, banking or capital market conditions.
Principal Amount:	US\$37,000,000
Face Value:	US\$38,500,000 ("Face Value"), comprised of US\$37,000,000 Funded Amount and US\$1,500,000 (4.05%) original issue discount ("OID")
Use of Proceeds:	Capital expenditures for Phase 1A and working capital.
Interest:	12% on the Face Value, accruing monthly and paid quarterly
Bonus Shares and Unlisted Options:	Upon first draw down of the Term Loan, the Investor will receive 10 million fully paid ordinary, unrestricted shares, equal to 4.0% of the fully diluted share capital, of the Company and 15 million unlisted warrants, equal to 6.0% of the fully diluted share capital, of the Company exercisable at A\$0.30 with a term of three (3) years from first draw down.



Overrun Facility Terms

The key Overrun Facility Terms described in the term sheet are summarised below. The terms are indicative only and are subject to the parties entering into a definitive agreement.

Third Investment:	Senior Secured Cost Overrun Facility (the "Cost Overrun Facility")
Term:	24 months
Conditions Precedent:	The intention of the Investors to purchase the Cost Overrun Facility will be subject to each of the following along with other customary conditions precedent: (i) Board approval from the Boards of both the Investor and the Company; and (ii) No material adverse change, no disruption of, or adverse change in, loan syndication, financial, banking or capital market conditions.
Funded Amount:	US\$8,000,000
Face Value:	US\$8,400,000 ("Face Value"), comprised of US\$8,000,000 Funded Amount and US\$400,000 (5%) original issue discount ("OID")
Interest:	15% on the Face Value, accruing monthly and paid quarterly
Use of Proceeds:	Construction cost overruns for Phase 1A as detailed in Appendix A and working capital

About Amvest Capital Mining Opportunities

Amvest Capital Mining Opportunities, LLC is a private investment company formed through a joint venture among a SEC Registered Investment Advisor with over US\$1b in assets under management and Amvest Capital Inc., a specialist asset management and investment banking firm focused on the natural resources industry.

ENDS

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About American Pacific Borate and Lithium Limited

American Pacific Borate and Lithium Limited is focused on advancing its 100% owned Fort Cady Borate Project located in Southern California, USA. Fort Cady is a highly rare and large colemanite deposit and is the largest known contained borate occurrence in the world not owned by the two major borate producers Rio Tinto and Eti Maden. The JORC compliant Mineral Resource Estimate and Reserve is presented below. Importantly, it comprises 13.93Mt of contained boric acid.

In excess of US\$60m has been spent at Fort Cady, including resource drilling, metallurgical test works, well injection tests, permitting activities and substantial small-scale commercial operations and test works.

A Definitive Feasibility Study (“DFS”) was completed in December 2018 (ASX release dated 17 December 2018) delivering compelling financial metrics including steady state production target of 410ktpa of boric acid and 110ktpa of SOP, delivering an unlevered post tax NPV₁₀ of US\$1.25bn (NPV₈ of US\$1.59bn) and an unlevered post tax IRR of 41%.

In January 2019 (ASX release dated 31 January 2019¹) the DFS was enhanced to include a low capital starter project with an estimated capital expenditure of only US\$36.8m. This starter project delivers an EBITDA in the first year of operation of US\$26.7m and preserves the pathway to an EBITDA of over US\$340m in the first year of full production for the broader project.

JORC compliant Mineral Resource Estimate and Reserve (ASX release dated 3 December 2018²)

JORC compliant Mineral Resource Estimate and Reserve						
Reserves	MMT	B ₂ O ₃ %	H ₃ BO ₃ %	Li ppm	B ₂ O ₃ MT	H ₃ BO ₃ MT
Proven	27.21	6.70	11.91	379	1.82	3.24
Probable	13.80	6.40	11.36	343	0.88	1.57
Total Reserves	41.01	6.60	11.72	367	2.71	4.81
Resources						
Measured	38.87	6.70	11.91	379	2.61	4.63
Indicated	19.72	6.40	11.36	343	1.26	2.24
Total M&I	58.59	6.60	11.72	367	3.87	6.87
Inferred	61.85	6.43	11.42	322	3.98	7.07
Total M,I&I	120.44	6.51	11.57	344	7.84	13.93

In 1994 the Plan of Operations (mining permit) was authorised along with the Mining and Land Reclamation Plan. These permits are in good standing and contain a full Environmental Impact Report and water rights for initial operations of 82ktpa of boric acid. The Company is currently working through a permitting process to gain the additional permits required to commence operations.

¹ ABR confirms all material assumptions underpinning the production target and corresponding financial information continue to apply and have not materially changed as per Listing Rule 5.19.2.

² ABR confirms all material assumptions and technical parameters underpinning the Resource Estimate and Reserve continue to apply and have not materially changed as per Listing Rule 5.23.2



In addition to the flagship Fort Cady Project, the Company also has an earn in agreement to acquire a 100% interest in the Salt Wells North and Salt Wells South Projects in Nevada, USA on the incurrence of US\$3m of Project expenditures. The Projects cover an area of 36km² and are considered prospective for borates and lithium in the sediments and lithium in the brines within the project area. Surface salt samples from the Salt Wells North project area were assayed in April 2018 and showed elevated levels of both lithium and boron with several results of over 500ppm lithium and over 1% boron.

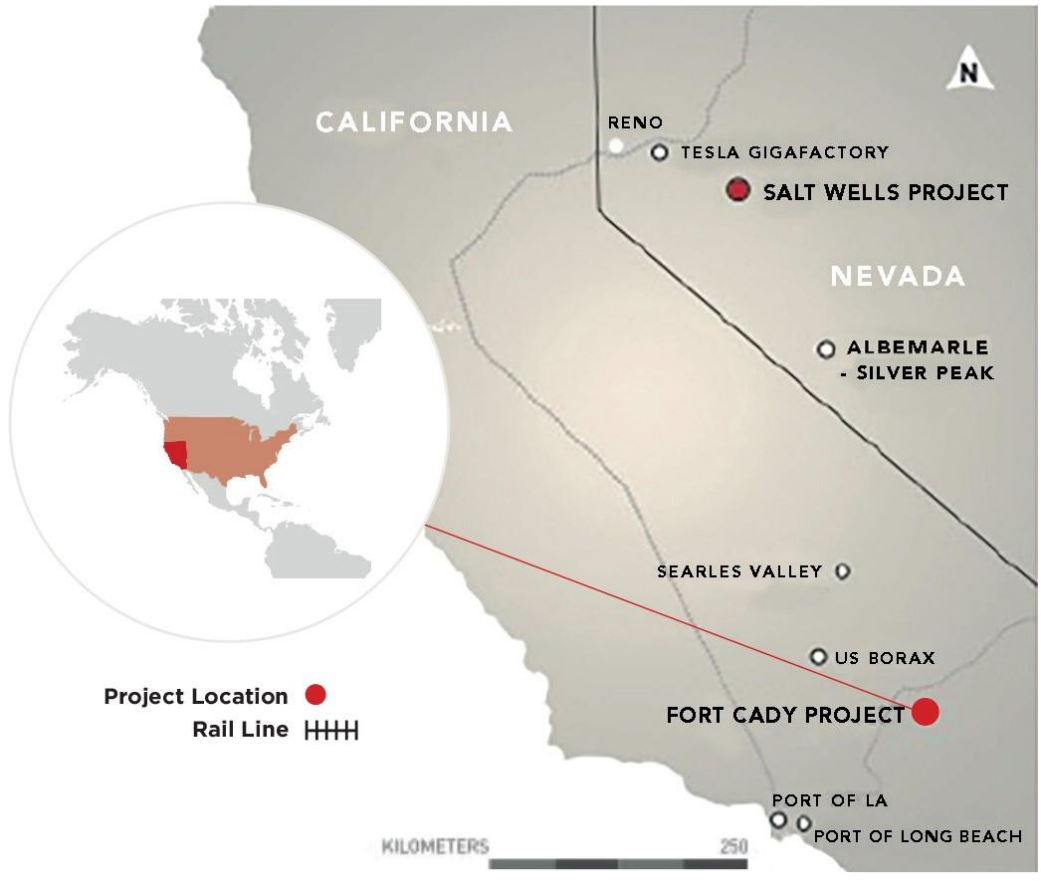


Figure 1 | Location of the Fort Cady and Salt Wells Projects in the USA

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